

APPENDICES: Kellogg Company Q2 2014 Financial Results Presentation

July 31, 2014

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**Reconciliation of Non-GAAP Amounts –
Kellogg-Defined Cash Flow to GAAP Cash Flow (a)**

(unaudited)

(millions)	Year-to-date period ended	
	June 28, 2014	June 29, 2013
Operating activities		
Net income	\$701	\$663
Adjustments to reconcile net income to operating cash flows:		
Depreciation and amortization	235	226
Postretirement benefit plan expense (benefit)	(45)	(8)
Deferred income taxes	18	9
Other	18	60
Postretirement benefit plan contributions	(37)	(36)
Changes in operating assets and liabilities, net of acquisitions	(236)	(209)
Net cash provided by (used in) operating activities	654	705
Less:		
Additions to properties	(226)	(238)
Cash flow	\$428	\$467

- (a) Cash flow is defined as net cash provided by operating activities less capital expenditures. The Company uses this non-GAAP financial measure to focus management and investors on the amount of cash available for debt repayment, dividend distributions, acquisition opportunities and share repurchase.

Reconciliation of Non-GAAP Amounts – Reported Operating Profit to Comparable Operating Profit Q2 2014

Quarter ended June 28, 2014

(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	N. America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	\$143	\$130	\$63	\$62	\$53	\$47	\$2	\$(33)	\$467
Mark-to-market (a)	-	-	-	-	-	-	-	(12)	(12)
Restructuring and cost reduction activities (b)	(15)	(3)	-	(6)	(28)	(1)	(5)	(20)	(78)
Underlying Operating Profit (c)	\$158	\$133	\$63	\$68	\$81	\$48	\$7	\$(1)	\$557
Pringles integration costs	-	-	-	-	(8)	-	(2)	-	(10)
Comparable Operating Profit (d)	\$158	\$133	\$63	\$68	\$89	\$48	\$9	\$(1)	\$567

Quarter ended June 29, 2013

(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	N. America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	\$180	\$130	\$62	\$78	\$75	\$42	\$17	\$(14)	\$570
Mark-to-market (a)	-	-	-	-	-	-	-	(7)	(7)
Restructuring and cost reduction activities (b)	(2)	(3)	(1)	(1)	-	-	-	-	(7)
Underlying Operating Profit (c)	\$182	\$133	\$63	\$79	\$75	\$42	\$17	\$(7)	\$584
Pringles integration costs	-	(8)	-	-	(3)	-	(3)	(2)	(16)
Comparable Operating Profit (d)	\$182	\$141	\$63	\$79	\$78	\$42	\$20	\$(5)	\$600

- (a) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. A portion of these mark-to-market adjustments were capitalized as inventoriable cost at the end of 2013 and 2012. These amounts have been recognized in the first quarter of 2014 and 2013, respectively. During the second quarter of 2014 and 2013, there were no pension mark-to-market adjustments recognized. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.
- (b) Costs incurred related primarily to the execution of Project K, a global four-year efficiency and effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories. The 2013 periods presented have been recast to exclude all restructuring and cost reduction activities from underlying and comparable results. Previously, only costs associated with Project K were excluded from underlying and comparable results.
- (c) Underlying Operating Profit excludes the impact of pension plans and commodity contracts mark-to-market adjustments and costs related to restructuring and cost reduction activities. The Company believes the use of this non-GAAP measure provides increased transparency and assists in understanding underlying operating performance. This non-GAAP measure is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table. Underlying operating profit for the quarters ended June 28, 2014 and June 29, 2013 includes postretirement benefit plan expense (income) of \$(23) million and (\$4) million, respectively.
- (d) Comparable Operating Profit is a non-GAAP measure that excludes the impact of mark-to-market adjustments on pension plans and commodity contracts, the impact of restructuring and cost reduction activities and the impact of integration costs related to the acquisition of the Pringles business.

Reconciliation of Non-GAAP Amounts – Reported Operating Profit to Comparable Operating Profit YTD 2014

Year-to-date period ended June 28, 2014

(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	N. America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	\$271	\$225	\$150	\$134	\$120	\$95	\$16	\$70	\$1,081
Mark-to-market (a)	-	-	-	-	-	-	-	104	104
Restructuring and cost reduction activities (b)	(26)	(10)	(1)	(9)	(40)	(5)	(11)	(30)	(132)
Underlying Operating Profit (c)	\$297	\$235	\$151	\$143	\$160	\$100	\$27	\$(4)	\$1,109
Pringles integration costs	-	-	-	-	(14)	-	(2)	(1)	(17)
Comparable Operating Profit (d)	\$297	\$235	\$151	\$143	\$174	\$100	\$29	\$(3)	\$1,126

Year-to-date period ended June 29, 2013

(millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	N. America Other	Europe	Latin America	Asia Pacific	Corporate	Kellogg Consolidated
Reported Operating Profit	\$343	\$236	\$140	\$153	\$146	\$90	\$38	\$(73)	\$1,073
Mark-to-market (a)	-	-	-	-	-	-	-	(61)	(61)
Restructuring and cost reduction activities (b)	(5)	(6)	(2)	(1)	-	-	(6)	-	(20)
Underlying Operating Profit (c)	\$348	\$242	\$142	\$154	\$146	\$90	\$44	\$(12)	\$1,154
Pringles integration costs	-	(11)	-	(1)	(11)	-	(8)	(5)	(36)
Comparable Operating Profit (d)	\$348	\$253	\$142	\$155	\$157	\$90	\$52	\$(7)	\$1,190

- (a) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. A portion of these mark-to-market adjustments were capitalized as inventoriable cost at the end of 2013 and 2012. These amounts have been recognized in the first quarter of 2014 and 2013, respectively. During the second quarter of 2014 and 2013, there were no pension mark-to-market adjustments recognized. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.
- (b) Costs incurred related primarily to the execution of Project K, a global four-year efficiency and effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories. The 2013 periods presented have been recast to exclude all restructuring and cost reduction activities from underlying and comparable results. Previously, only costs associated with Project K were excluded from underlying and comparable results.
- (c) Underlying Operating Profit excludes the impact of pension plans and commodity contracts mark-to-market adjustments and costs related to restructuring and cost reduction activities. The Company believes the use of this non-GAAP measure provides increased transparency and assists in understanding underlying operating performance. This non-GAAP measure is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table. Underlying operating profit for the year-to-date period ended June 28, 2014 and June 29, 2013 includes postretirement benefit plan expense (income) of (\$45) million and (\$8) million, respectively.
- (d) Comparable Operating Profit is a non-GAAP measure that excludes the impact of mark-to-market adjustments on pension plans and commodity contracts, the impact of restructuring and cost reduction activities and the impact of integration costs related to the acquisition of the Pringles business.

**Reconciliation of Non-GAAP Amounts –
Reported Operating Profit Growth to Underlying Reported Operating Profit Growth**

	Quarter ended June 28, 2014	Year-to-date period ended June 28, 2014
Reported Operating Profit Growth	-18.1%	0.8%
Mark-to-market (a)	-1.3%	14.6%
Restructuring and cost reduction activities (b)	-12.3%	-9.9%
Underlying Reported Operating Profit Growth (c)	-4.5%	-3.9%

- (a) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. A portion of these mark-to-market adjustments were capitalized as inventoriable cost at the end of 2013 and 2012. These amounts have been recognized in the first quarter of 2014 and 2013, respectively. During the second quarter of 2014 and 2013, there were no pension mark-to-market adjustments recognized. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.
- (b) Costs incurred related primarily to the execution of Project K, a global four-year efficiency and effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories. The 2013 periods presented have been recast to exclude all restructuring and cost reduction activities from underlying and comparable results. Previously, only costs associated with Project K were excluded from underlying and comparable results.
- (c) Underlying reported operating profit growth is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Reconciliation of Non-GAAP Amounts – Reported EPS to Comparable EPS

	Quarter ended		Year-to-date period ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Reported EPS	\$0.82	\$0.96	\$1.94	\$1.81
Mark-to-market(a)	(0.02)	(0.01)	0.20	(0.11)
Restructuring and cost reduction activities(b)	(0.16)	(0.02)	(0.26)	(0.05)
Pringles Integration costs	(0.02)	(0.03)	(0.03)	(0.07)
Comparable EPS(c)	\$1.02	\$1.02	\$2.03	\$2.04

- (a) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. A portion of these mark-to-market adjustments were capitalized as inventoriable cost at the end of 2013 and 2012. These amounts have been recognized in the first quarter of 2014 and 2013, respectively. During the second quarter of 2014 and 2013, there were no pension mark-to-market adjustments recognized. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.
- (b) Costs incurred related primarily to the execution of Project K, a global four-year efficiency and effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories. The 2013 periods presented have been recast to exclude all restructuring and cost reduction activities from underlying and comparable results. Previously, only costs associated with Project K were excluded from underlying and comparable results.
- (c) Comparable EPS is a non-GAAP measure that excludes the impact of mark-to-market adjustments on pension plans and commodity contracts, the impact of costs related to restructuring and cost reduction activities, and the impact of integration costs related to the acquisition of the Pringles business.

**Reconciliation of Non-GAAP Amounts –
Reported Gross Profit to Underlying Reported Gross Profit**

(millions)	Quarter ended		Year-to-day period ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Reported Gross Profit (a)	\$1,411	\$1,477	\$2,915	\$2,870
Mark-to-market (b)	(12)	(7)	104	(61)
Restructuring and cost reduction activities (c)	(31)	(3)	(56)	(11)
Underlying Reported Gross Profit (d)	\$1,454	\$1,487	\$2,867	\$2,942

(a) Gross profit is equal to net sales less cost of goods sold.

(b) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. A portion of these mark-to-market adjustments were capitalized as inventoriable cost at the end of 2013 and 2012. These amounts have been recognized in the first quarter of 2014 and 2013, respectively. During the second quarter of 2014 and 2013, there were no pension mark-to-market adjustments recognized. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(c) Costs incurred related primarily to the execution of Project K, a global four-year efficiency and effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories. The 2013 periods presented have been recast to exclude all restructuring and cost reduction activities from underlying and comparable results. Previously, only costs associated with Project K were excluded from underlying and comparable results.

(d) Underlying reported gross profit is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Reconciliation of Non-GAAP Amounts – Reported Gross Margin to Underlying Reported Gross Margin

	Quarter ended		Year-to-day period ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Reported Gross Margin (a)	38.3%	39.8%	39.2%	37.9%
Mark-to-market (b)	-0.3%	-0.2%	1.4%	-0.8%
Restructuring and cost reduction activities (c)	-0.9%	-0.1%	-0.8%	-0.1%
Underlying Reported Gross Margin (d)	39.5%	40.1%	38.6%	38.8%

- (a) Reported gross margin as a percentage of net sales. Gross margin is equal to net sales less cost of goods sold.
- (b) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. A portion of these mark-to-market adjustments were capitalized as inventoriable cost at the end of 2013 and 2012. These amounts have been recognized in the first quarter of 2014 and 2013, respectively. During the second quarter of 2014 and 2013, there were no pension mark-to-market adjustments recognized. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.
- (c) Costs incurred related primarily to the execution of Project K, a global four-year efficiency and effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories. The 2013 periods presented have been recast to exclude all restructuring and cost reduction activities from underlying and comparable results. Previously, only costs associated with Project K were excluded from underlying and comparable results.
- (d) Underlying reported gross margin is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Analysis of Net Sales and Operating Profit Performance
Q2 2014

Second Quarter of 2014 versus 2013

(dollars in millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	N. America Other	North America	Europe	Latin America	Asia Pacific	Corp- orate	Consoli- dated
2014 net sales	\$820	\$893	\$276	\$361	\$2,350	\$772	\$320	\$243	\$0	\$3,685
2013 net sales	\$863	\$917	\$272	\$388	\$2,440	\$723	\$304	\$247	\$0	\$3,714
% change - 2014 vs. 2013:										
As Reported	-4.9%	-2.7%	1.4%	-6.8%	-3.7%	6.9%	5.2%	-1.5%	0.0%	-0.8%
Acquisitions/Divestitures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%
Integration impact (a)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.0%
Foreign currency impact	0.0%	0.0%	0.0%	-1.9%	-0.3%	6.2%	-1.7%	-2.3%	0.0%	0.7%
Subtotal - internal business (b)	-4.9%	-2.7%	1.4%	-4.9%	-3.4%	0.7%	6.9%	0.5%	0.0%	-1.5%
Volume (tonnage) (c)					-4.0%	2.6%	-4.3%	-0.6%	0.0%	-2.5%
Pricing/mix					0.6%	-1.9%	11.0%	1.1%	0.0%	1.0%

(dollars in millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	N. America Other	North America	Europe	Latin America	Asia Pacific	Corp- orate	Consoli- dated
2014 operating profit	\$143	\$130	\$63	\$62	\$398	\$53	\$47	\$2	(\$33)	\$467
2013 operating profit	\$180	\$130	\$62	\$78	\$450	\$75	\$42	\$17	(\$14)	\$570
% change - 2014 vs. 2013:										
As Reported	-20.9%	-0.4%	0.8%	-20.4%	-11.9%	-29.7%	9.5%	-90.2%	-104.7%	-18.1%
Acquisitions/Divestitures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	0.0%	0.2%
Integration impact (a)	0.0%	5.4%	0.0%	0.1%	1.6%	-5.9%	0.4%	-0.2%	0.2%	1.0%
Foreign currency impact	0.0%	0.0%	0.0%	-2.1%	-0.4%	8.3%	5.4%	3.3%	30.7%	1.5%
Mark-to-market (d)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.2%	-1.3%
Restructuring and cost reduction activities (e)	-7.4%	-0.8%	0.9%	-7.5%	-4.4%	-37.2%	-2.3%	-29.9%	-222.6%	-12.3%
Underlying internal (f)	-13.5%	-5.0%	-0.1%	-10.9%	-8.7%	5.1%	6.0%	-65.2%	66.8%	-7.2%

(a) Includes impact of integration costs associated with the Pringles acquisition.

(b) Internal net sales growth for 2014 excludes the impact of acquisitions, divestitures, integration costs and impact of foreign currency translation. Internal net sales growth is a non-GAAP financial measure which is reconciled to the directly comparable measure in accordance with U.S. GAAP within these tables.

(c) We measure the volume impact (tonnage) on revenues based on the stated weight of our product shipments.

(d) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. A portion of these mark-to-market adjustments were capitalized as inventoriable cost at the end of 2013 and 2012. These amounts have been recognized in the first quarter of 2014 and 2013, respectively. During the second quarter of 2014 and 2013, there were no pension mark-to-market adjustments recognized. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(e) Costs incurred related primarily to the execution of Project K, a global four-year efficiency and effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories. The 2013 periods presented have been recast to exclude all restructuring and cost reduction activities from underlying and comparable results. Previously, only costs associated with Project K were excluded from underlying and comparable results.

(f) Underlying internal operating profit growth excludes the impact of foreign currency translation, pension plans and commodity contracts mark-to-market adjustments, costs related to restructuring and cost reduction activities, and if applicable, acquisitions, dispositions, and integration costs associated with the acquisition of Pringles. The Company believes the use of this non-GAAP measure provides increased transparency and assists in understanding underlying operating performance. This non-GAAP measure is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Analysis of Net Sales and Operating Profit Performance YTD 2014

Year-to-date 2014 versus 2013

(dollars in millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	N. America Other	North America	Europe	Latin America	Asia Pacific	Corp- orate	Consoli- dated
2014 net sales	\$1,681	\$1,796	\$648	\$742	\$4,867	\$1,480	\$598	\$482	\$0	\$7,427
2013 net sales	\$1,774	\$1,818	\$651	\$791	\$5,034	\$1,415	\$612	\$514	\$0	\$7,575
% change - 2014 vs. 2013:										
As Reported	-5.2%	-1.2%	-0.4%	-6.2%	-3.3%	4.6%	-2.3%	-6.3%	0.0%	-2.0%
Acquisitions/Divestitures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	0.0%	0.0%
Integration impact (a)	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.3%	0.0%	0.0%
Foreign currency impact	0.0%	0.0%	0.0%	-2.8%	-0.4%	5.1%	-3.1%	-5.9%	0.0%	0.0%
Subtotal - internal business (b)	-5.2%	-1.2%	-0.4%	-3.5%	-2.9%	-0.5%	0.8%	-0.5%	0.0%	-2.0%
Volume (tonnage) (c)					-3.4%	-0.2%	-7.8%	-0.3%	0.0%	-3.0%
Pricing/mix					0.5%	-0.3%	8.5%	0.2%	0.0%	1.1%

(dollars in millions)	U.S. Morning Foods	U.S. Snacks	U.S. Specialty	N. America Other	North America	Europe	Latin America	Asia Pacific	Corp- orate	Consoli- dated
2014 operating profit	\$271	\$225	\$150	\$134	\$780	\$120	\$95	\$16	\$70	\$1,081
2013 operating profit	\$343	\$236	\$140	\$153	\$872	\$146	\$90	\$38	(\$73)	\$1,073
% change - 2014 vs. 2013:										
As Reported	-21.0%	-4.9%	6.8%	-12.4%	-10.7%	-18.2%	5.0%	-59.1%	196.7%	0.8%
Acquisitions/Divestitures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%	0.1%
Integration impact (a)	0.0%	4.3%	0.0%	0.6%	1.3%	-1.0%	0.4%	5.3%	8.1%	1.5%
Foreign currency impact	0.0%	0.0%	0.0%	-3.2%	-0.6%	7.7%	3.1%	-4.3%	34.1%	0.8%
Mark-to-market (d)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	59.5%	14.6%
Restructuring and cost reduction activities (e)	-6.4%	-2.0%	0.2%	-5.3%	-4.0%	-27.4%	-5.9%	-19.6%	68.4%	-9.9%
Underlying internal (f)	-14.6%	-7.2%	6.6%	-4.5%	-7.4%	2.5%	7.4%	-42.0%	26.6%	-6.3%

(a) Includes impact of integration costs associated with the Pringles acquisition.

(b) Internal net sales growth for 2014 excludes the impact of acquisitions, divestitures, integration costs and impact of foreign currency translation. Internal net sales growth is a non-GAAP financial measure which is reconciled to the directly comparable measure in accordance with U.S. GAAP within these tables.

(c) We measure the volume impact (tonnage) on revenues based on the stated weight of our product shipments.

(d) Includes mark-to-market adjustments for pension plans and commodity contracts as reflected in cost of goods sold. Actuarial gains/losses for pension plans are recognized in the year they occur. A portion of these mark-to-market adjustments were capitalized as inventoriable cost at the end of 2013 and 2012. These amounts have been recognized in the first quarter of 2014 and 2013, respectively. During the second quarter of 2014 and 2013, there were no pension mark-to-market adjustments recognized. Mark-to-market adjustments for commodities reflect the changes in the fair value of contracts for the difference between contract and market prices for the underlying commodities. The resulting gains/losses are recognized in the quarter they occur.

(e) Costs incurred related primarily to the execution of Project K, a global four-year efficiency and effectiveness program. The focus of the program will be to strengthen existing businesses in core markets, increase growth in developing and emerging markets, and drive an increased level of value-added innovation. The program is expected to provide a number of benefits, including an optimized supply chain infrastructure, the implementation of global business services, and a new global focus on categories. The 2013 periods presented have been recast to exclude all restructuring and cost reduction activities from underlying and comparable results. Previously, only costs associated with Project K were excluded from underlying and comparable results.

(f) Underlying internal operating profit growth excludes the impact of foreign currency translation, pension plans and commodity contracts mark-to-market adjustments, costs related to restructuring and cost reduction activities, and if applicable, acquisitions, dispositions, and integration costs associated with the acquisition of Pringles. The Company believes the use of this non-GAAP measure provides increased transparency and assists in understanding underlying operating performance. This non-GAAP measure is reconciled to the directly comparable measure in accordance with U.S. GAAP within this table.

Restructuring and Cost Reduction Activities

(millions)

	Quarter ended June 28, 2014			Year-to-date period ended June 28, 2014		
	Cost of goods sold	Selling, general and administrative expense	Total	Cost of goods sold	Selling, general and administrative expense	Total
	2014					
U.S. Morning Foods	\$15	\$ -	\$15	\$24	\$2	\$26
U.S. Snacks	4	(1)	3	9	1	10
U.S. Specialty	1	(1)	-	1	-	1
North America Other	4	2	6	6	3	9
Europe	4	24	28	9	31	40
Latin America	-	1	1	-	5	5
Asia Pacific	2	3	5	6	5	11
Corporate	1	19	20	1	29	30
Total	\$31	\$47	\$78	\$56	\$76	\$132

	Quarter ended June 29, 2013			Year-to-date period ended June 29, 2013		
	Cost of goods sold	Selling, general and administrative expense	Total	Cost of goods sold	Selling, general and administrative expense	Total
	2013					
U.S. Morning Foods	\$1	\$1	\$2	\$2	\$3	\$5
U.S. Snacks	1	2	3	2	4	6
U.S. Specialty	1	-	1	1	1	2
North America Other	-	1	1	-	1	1
Europe	-	-	-	-	-	-
Latin America	-	-	-	-	-	-
Asia Pacific	-	-	-	6	-	6
Corporate	-	-	-	-	-	-
Total	\$3	\$4	\$7	\$11	\$9	\$20

2014 Variance - better(worse) than 2013						
U.S. Morning Foods	\$(14)	\$1	\$(13)	\$(22)	\$1	\$(21)
U.S. Snacks	(3)	3	-	(7)	3	(4)
U.S. Specialty	-	1	1	-	1	1
North America Other	(4)	(1)	(5)	(6)	(2)	(8)
Europe	(4)	(24)	(28)	(9)	(31)	(40)
Latin America	-	(1)	(1)	-	(5)	(5)
Asia Pacific	(2)	(3)	(5)	-	(5)	(5)
Corporate	(1)	(19)	(20)	(1)	(29)	(30)
Total	\$(28)	\$(43)	\$(71)	\$(45)	\$(67)	\$(112)